

Internal Revenue Service
District Director

Department of the Treasury

[REDACTED]

Date: JUL - 5 1995

Person to Contact:

[REDACTED]

Contact Telephone Number:

[REDACTED]

Refer Reply to:

[REDACTED]

Employer Identification
Number:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for tax-exempt status under section 501(c)(3) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated in the State of [REDACTED] on [REDACTED].

The objectives for which the corporation has been established are to preserve and strengthen democratic ideals, and insure sound fiscal responsibility by the governing bodies of the Town of [REDACTED] and other local, county, state and federal government agencies as such activities may affect the taxpayers of [REDACTED].

[REDACTED] is a membership organization. Any person who pays taxes directly or indirectly to and/or is a registered voter in [REDACTED] is eligible to be a member of the Association. The dues are \$[REDACTED] per year and may be waived in hardship cases by vote of the Executive Committee. [REDACTED] plans to educate the taxpayers of [REDACTED] regarding taxation and spending of public monies through monthly meetings, press releases and newsletters. The monthly meetings are open to all taxpayers in [REDACTED]. The organization intends to influence the vote of taxpayers concerning town and school district budget matters. The entity advises the public to vote for or against legislation concerning town and school district budgets/matters. The association also encourages its members to run for public office. The organization does not intend to provide financial support or publicly endorse any member who is a candidate for public office. [REDACTED] will encourage its members and other taxpayers to attend public hearings and town meetings in order to be informed on issues concerning the town and school business matters and express their opinions at such open forums.

According to the bylaws of [REDACTED], it may establish various committees including the following committees to perform the functions stated below:

Officeholders Committee: to monitor the performance of officeholders, the elected ones for spending practices and re-electability, the appointed ones to help track the dollars they control. They will closely watch Town and School District officeholders. No fewer than two members should attend each meeting of such officeholders. They should take notes from which to report to their committee and to the Association.

Candidates Committee: to examine the qualifications and fitness of announced candidates for office. This committee might very well find potential candidates favorable to the [REDACTED] ideals and encourage them to run for office, especially to insure that all candidates for office have opposition. Then, this committee should make recommendations to the Association. Also, this committee should scan the [REDACTED] membership for persons to nominate for directors and officers of the [REDACTED] itself.

Political Advocacy Committee: to develop strategies to elect the candidates favorable to [REDACTED], and to replace in office those who ignore practices of good government, especially sound fiscal policies. While all members must be involved in this program, this committee will take recommendations from other committees to target specific candidates for election, re-election, or defeat, and the program to accomplish this.

This organization will receive financial support from membership dues, contributions from members and town businesses. Its disbursements will consist of fundraising expenses and contributions, gift, etc. paid.

In order to qualify under IRC 501(c)(3), an organization must be both "organized" and "operated" exclusively for one or more purposes specified in that section. If the organization fails to meet either the organizational test or the operational test, it is not exempt. (Regs. 1.501(c)(3)-1(a)(1)). The organizational test relates to the rules for governing an organization and the purposes stated in its articles of organization. The operational test relates to the organization's activities.

Section 1.501(c)(3)-1(c)(1) of the Regulations states that if more than an insubstantial part of an organization's activities is not in furtherance of exempt purposes, the organization will not be regarded as exempt.

Section 1.501(c)(3)-1(c)(3)(i) of the Income Tax Regulations states that an organization is not operated exclusively for one or more exempt purposes if it is an "action" organization.

Section 1.501(c)(3)-1(c)(3)(ii) of the Regulations states "An organization is an "action" organization if a substantial part of its activities is attempting to influence legislation by propaganda or otherwise."

In Revenue Ruling 62-71, 1962-1 C.B. 85, the corporation's primary objective was advocating the adoption of a doctrine or theory which became effective only by the enactment of legislation is not entitled to exemption, since it is an "action" organization and thus is not operated exclusively for educational purposes within the meaning of within 501(c)(3) of the Code.

In Revenue Ruling 67-71, 1967-1 C.B. 125, a nonprofit organization created to improve a public education system is not exempt from Federal income tax ~~except~~ under section 510(c)(3) of the Code because it campaigned on behalf of candidates for election to the school board.

Like the organization described in the above revenue rulings your organization's activities are those of an "action" organization. [REDACTED] encourages its members and the public to vote for or against particular legislation. The [REDACTED] newsletter printed by [REDACTED] addresses each article which will be voted on and directs the public how to vote (for or against) on a particular article. The organization also encourage its members to run for public office. Such candidates will more that likely express the viewpoints of the association. By encouraging members to run for office and then instructing the public in the manner to vote, [REDACTED] is providing public endorsements. Therefore, we have determined that you are not operated exclusively for educational or other exempt purposes stated in section 501(c)(3) of the Code.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(3) of the Code and propose to deny your request for exemption under that section.

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time this determination will be considered final and the appropriate State Officials will be notified.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,


District Director

Enclosure: Publication 892